

PENSIONS COMMITTEE – 15 MARCH 2019

Report of the Director of Corporate Services

Funding Strategy Statement and Investment Strategy Statement

Recommendations of the Chairman

1. That the Pensions Committee notes the minor amendments to the Funding Strategy Statement (FSS), which now includes the Pension Fund's Bulk Transfer Policy.
2. That the Pensions Committee notes the requirement for further updates to the Investment Strategy Statement (ISS) once the outcome of the Ministry of Housing Communities and Local Government's (MHCLG) informal consultation on the Statutory Guidance on Asset Pooling in the LGPS is known.

Background

3. All Local Government Pension Scheme (LGPS) Funds are required to prepare, maintain and publish FSS and ISS documents. The FSS must be formulated, maintained and published in accordance with the Public Service Pension Act 2013, whilst the ISS must be formulated, maintained and published in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
4. In preparing maintaining and reviewing both statements, the administering authority must have regard to guidance published by CIPFA. The latest such guidance for both documents was published in September 2016.
5. Whilst a full review of the FSS should be undertaken at each valuation and at least every three years for the ISS, it is considered good practice to review and update both documents annually, to reflect changes in the year.

Funding Strategy Statement (FSS)

6. The FSS governs how employer liabilities are measured, the pace at which these liabilities are funded and how employers, or pools of employers, pay for their own liabilities.
7. The last full review of the FSS was undertaken in 2017 and following consultation, the document was approved by the Pensions Committee at its meeting in March 2017. This reflected major changes required to the FSS because of changes to CIPFA's Guidance and the then Fund environment. Since March 2017, only minor amendments have been made to the FSS.

8. As part of the review of the Fund's various policies, it was decided that there was a need to separate the Bulk Transfer Policy from the Administration Strategy, as it should really form part of the FSS. The FSS has been reviewed on this basis, in conjunction with the Pension Fund's advisors Hymans Robertson, and this has also resulted in several other minor amends to the FSS. The revised document can be viewed at:

<https://www.staffspf.org.uk/Finance-and-Investments/Funding-Strategy-Statement>

9. A full review of the FSS will be required later in 2019/20, following the 2019 Actuarial Valuation and it will be at this stage that the document will be put out to wider consultation.

Investment Strategy Statement (ISS)

10. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force in 2017 and under Regulation 7(6) and 7(7), the ISS had to be published by 1 April 2017, kept under review and revised from time to time and at least every three years.
11. The ISS documents how the investment strategy for the Fund is determined and implemented and is required to cover a number of areas, specifically:
- The requirement to invest money across a wide range of investments.
 - An assessment of the suitability of particular investments and investment types.
 - The maximum percentage authorities deem should be allocated to different asset classes or types of investment, although limits on allocations to any asset class are not prescribed as they previously were under the 2009 Regulations.
 - The authority's attitude to risk, including the measurement and management of risk.
 - The authority's approach to investment pooling;
 - The authority's policy on social, environmental and corporate governance considerations.
 - The authority's policy with regard to stewardship of assets, including the exercise of voting rights.
12. The ISS was reviewed in April 2018 and arguably needs further minor amendment in April 2019, to better reflect the arrangements in place for asset pooling and the transfer of assets into LGPS Central Limited. However, Members of the Committee are asked to note that the document may need further substantial revision following the outcome of the MHCLG's informal consultation on the Statutory Guidance on Asset Pooling in the LGPS, which closes on 29 March 2019. At this stage, wider consultation on the ISS may also be considered appropriate. The document in its current form can be viewed at:

<https://www.staffspf.org.uk/Finance-and-Investments/Statement-of-Investment-Principles/Investment-Strategy-Statement.aspx>

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Background Documents:

Public Service Pensions Act 2013

The Local Government Pension Scheme (Management and Investment of Funds)
Regulations 2016

MHCLG Consultation on Statutory Guidance on Asset Pooling in the LGPS

Appendix 1

Legal implications: The legal implications are considered in the body of his report.

Resource and Value for money implications: The direct cost of producing the FSS is relatively small. It is published only on the web site. The resource and value for money implications are included in the body of the ISS report.

Risk implications: The publication of an FSS and an ISS are requirements of the Local Government Pension Scheme Regulations 2016.

Climate Change implications: There are no direct implications arising from this report.

Health impact assessment screening: There are no direct implications arising from this report.

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